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C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 003518

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TAGS: [ETRD](#) [EFIN](#) [ECIN](#) [KIPR](#) [PREL](#) [GM](#)  
SUBJECT: GERMANY HONING TRANSATLANTIC ECONOMIC INITIATIVE

REF: A. BERLIN 1747

[1](#)B. BERLIN 3076

Classified By: DCM John Koenig for reasons 1.4(b) and (d).

[1](#)1. (C) Summary: The Chancellor and other senior German officials continue to note Germany's economic agenda for its EU presidency includes promoting a more highly integrated transatlantic market place, while at the same time reiterating support for a successfully concluded Doha Development Agenda (DDA). The exact parameters of the Chancellor's transatlantic economic initiative have continued to evolve over the past four months, moving from exploring the possibility of a transatlantic free trade agreement (TAFTA) (ref A) to the current formulation, which focuses mostly on overcoming or alleviating regulatory barriers. Merkel recently brought together leaders from business and government to help define this transatlantic initiative. The reformulation resulted from German officials concluding a free trade agreement would not achieve much in terms of tariff reduction on non-agricultural products and would face the same challenges on agriculture market access the EU and U.S. are currently confronting in the DDA. The Chancellery and other ministries have become more careful to stress that the primary objective remains a successful Doha Round, but that they also see the transatlantic market place initiative as something which could subsequently contribute to improved prosperity on both sides of the Atlantic. German business and government officials say they plan to reach out to parliamentarians and Members of Congress to discuss the initiative. End Summary.

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Fleshing Out German Thoughts on Transatlantic Economic Cooperation  
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[1](#)2. (SBU) Taking a further step to refine thinking on increasing trade between the U.S. and EU, representatives from German government and business met November 22 at the Chancellery to discuss how to integrate further the transatlantic market economy. Starting from a premise that any type of a transatlantic free trade agreement is unrealistic, Chancellery and business representatives from the Federation of German Industries (BDI) have sought to find a more pragmatic way forward. Both government and business representatives characterize their initiative as complementary to Doha, rather than an alternative or competing idea. All continue to stress the importance of a

successful DDA, even though many officials and business people privately offer serious misgivings over the prospects for the Round. At the request of Chancellor Merkel, who has publicly stated her desire for a transatlantic economic element in Germany's EU presidency, business and government representatives created working groups in five key areas -- Energy, Finance, IPR, Standards, and Environment -- to flesh out concrete proposals. Officials noted the first session was intended to develop a work program for each group, with the working groups presenting their recommendations on December 20.

13. (SBU) According to Stefanie Conrad of the Chancellery's Foreign Trade and G-8 Office, Merkel wants the U.S. and EU to use what she sees as already excellent economic relations to move forward on more challenging economic issues, particularly on regulatory convergence and standards recognition in the five aforementioned areas. The working groups would develop recommendations in terms of what they actually see as achievable. Chancellery officials see only limited success in the previous efforts dealing with regulatory and standards issues and say Merkel is looking to give these efforts, and the overall transatlantic economic relationship, a higher-profile. She wants political leaders involved in the issues rather than leaving them to experts for discussion. German officials see engaging Congress as an important part of the equation. They see the Federation of German Industry's annual US-German Roundtable, which brings U.S. Members of Congress to Germany to discuss transatlantic issues, as an opportunity for such engagement. The roundtable is scheduled to take place in Hamburg in February 2007.

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A Glimpse Inside A Working Group  
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14. (C) Notes from the Chancellery's working group on IPR, provided by a BDI representative, focused on fighting piracy and cooperating more in the area of patents. On combating piracy, the working group recommends coordinating diplomatic efforts to apply political pressure on countries where piracy originates; improving cooperation among customs agencies; and taking political steps to implement a public consumer awareness campaign on pirated and counterfeit goods. For improving transatlantic cooperation on patents, the IPR working group recommends reaching agreement on the Substantive Patent Law Treaty (SPLT); recognizing common U.S.-EU standards; establishing an international court specializing in patent-law; and recognizing extended patent protection for substances that are subject to licensing procedures. The working group also recommended improving cooperation between the EU and U.S. patent offices through targeted programs like establishing exchanges of patent reports, creating a central database for formal data on patents, creating a worldwide standard patent application format, establishing higher quality standards for patent agencies and increased support for cooperation between U.S. and EU patent agencies. For patent applicants or users, the working group recommends prohibiting patents for business practices and formally prohibiting the practice of "patent trolling." (Note: These recommendations have yet to be presented to the Chancellor for approval and will become part of a larger paper listing the working groups' recommendations. End Note).

15. (SBU) The transatlantic economic initiative might also be a topic for the U.S.-EU Summit in April, according to Chancellery officials. They note that Merkel is personally involved in the decision making on this subject and thus wants her stamp of approval on every aspect of this initiative. As currently envisioned, points for discussion would be on how to structure a more formal arrangement for dealing with regulatory and standards issues, providing the

initiative with a strong political grounding, and agreeing to clear goals that advance U.S. and German common interests related to this initiative.

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Comment  
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16. (C) Germany's current efforts to produce a workable transatlantic market place initiative reflect a new approach to old themes. The Chancellery's deliberate and evolving approach shows as well the importance Merkel has attached to producing a tangible objective for Germany's EU presidency and a possible deliverable for the U.S.-EU Summit. Trade affected by regulations and standards is a growing share of the \$3 trillion annual transatlantic (\$160 billion U.S.-Germany) economic relationship; progress in this area could bring strong benefits to companies on both sides of the Atlantic. The government's focus on standards and regulations is a sign that German business and government realize the transatlantic market place initiative cannot replace a successful outcome to Doha, which remains a Germany priority. By engaging a variety of upper and mid-level business and government officials, German officials hope to produce an honest assessment with broad commitment as to what is achievable in terms of regulatory convergence and standards recognition. Germany could use this assessment to persuade skeptics in Brussels and other EU member states that Germany's, and EU's, interests lie in accelerating the important process of regulatory convergence and standard recognition.

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